DEPARTMENT OF HUMAN SERVICES (DHS)
COST REIMBURSEMENT TO FEE-FOR-SERVICE (FFS) TRANSITION
CASH ADVANCE GUIDELINES AND PROCEDURES

PURPOSE

- To assist community-based provider agencies (PAs) during the transition from a cost-based, "deficit-funded" contract payment system to a FFS payment system and to provide relief from initial cash flow concerns upon the implementation of FFS, the DHS is offering PAs the opportunity to receive a two month cash advance payment upon the start-up of the FFS transition.

GUIDELINES

- Subject to the availability of funds, the DHS shall provide a two month advance payment to a PA provided that the qualifying criteria set forth below are met.

- A PA may request a cash advance for each of its contracted sites that are transitioning from a cost-based, "deficit-funded" contract payment system to a FFS payment system. The amount available per contracted site is based on the monthly payment under the site's contract immediately prior to its transition to fee-for-service.

- After two months, an additional monthly advance MAY be considered if claims payment issues arise that are beyond the control of the PA. These requests will be reviewed on a case-by-case basis and will be approved only if there are extraordinary circumstances that warrant an extension of a supplemental cash advance.

- Cash advances received under these guidelines must be used only for allowable costs under the PAs contract with the DHS.

- The PA must have procedures to minimize the time elapsing between the advance of funds from the DHS and the disbursement by the PA.

- The DHS will not charge any interest on cash advance payments made under these guidelines.

- The PA must pay back the full amount of all cash advance payments to the DHS within twelve months of the month that the PA transitioned to FFS as follows:

  - Repayment is to be made in ten equal installments;

  - The first installment is due by the last day of the second month after the month that the provider transitioned to FFS, e.g., if the provider transitioned to FFS in July 2016, then the first installment is due by September 30, 2016;
  - The remaining nine (9) installments are due by the last day of each subsequent month; and
  - If a supplemental payment is requested and approved, that amount will be added to the original repayment plan and prorated to be returned by the due date of the original cash advance.

- Failure to submit payment will result in a stop payment of claims and/or any payments that remain in contract until payment is made.

- Notwithstanding the schedule for repayment of any cash advance set forth above, any PA that stops providing services through the State-funded system must repay the DHS the full balance of any and all cash advances within thirty (30) calendar days.

- PA must deposit advances in an interest bearing account until the funds are expended unless:

  - The best reasonably available interest bearing account would not be expected to earn interest in excess of $250 per year on the cash balance; or
  - The depository would require an average or minimum balance so high that it would not be feasible within the expected cash resources.

- Interest earned on any cash advance received under these guidelines in excess of $250 shall be remitted to the DHS.

<u>CRITERIA FOR QUALIFYING FOR CASH ADVANCE</u>

- PA must be transitioning from a cost-reimbursement contract to a FFS payment system. In addition, the PA must have received "advance payment," i.e., payment at the beginning of each month, under the terms of its pre-FFS contract. If the PA received payment after services were rendered pursuant to the terms of the PA's cost-reimbursement contract prior to its transition to FFS, then the PA will not be eligible for a cash advance under these guidelines.

If the PA operates multiple contracted sites, the cash advance is available only for those sites transitioning from a cost-reimbursement contract to a FFS payment system as set forth above.

- PA must be in "good standing".
  - PAs that have any outstanding debt and/or documentation owed to the DHS will be deemed NOT in good standing and will be ineligible for a cash advance.
  - "Good Standing" exception:
    - For those PAs who have a debt owed to the DHS and are on a payment plan, as long as the PA is in compliance with the terms and conditions of the repayment plan the provider will be considered in "good standing" in determining eligibility for a cash advance.
    - For those PAs who have any outstanding documentation owed to DHS, they will be considered in "good standing" if arrangements have been made with DHS for an extension of the submission date of such documents.

- PA must request a cash advance by submitting the following documentation to the DHS by the end of the month that the PA transitioned to FFS, e.g., a PA that transitioned to FFS in July 2016 must submit the following documentation by July 31, 2016:
  - PA must sign attestation to their commitment to remain a provider throughout the transition to FFS for a minimum of 24 months.
  - PA must sign an agreement to act in accordance with these guidelines in consideration of receipt of the cash advance. In addition, the PA must execute a promissory note stating that the PA will make payment back to the DHS in accordance with the requirements in these guidelines and return the executed promissory note to the Department at the address listed on the note.
  - PA must demonstrate sustainability under the new FFS payment structure, through either:
    - Completion of the cash flow template provided by the DHS
    - Submission of a completed provider-developed model that demonstrates to the DHS that the PA has analyzed its ability to remain solvent in a FFS environment